

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 1999-110-G - ORDER NO. 1999-397

JUNE 8, 1999

IN RE:	Annual Review of Purchased Gas Adjustment	)	ORDER
	(PGA) and Purchasing Practices and	)	DENYING
	Procedures of South Carolina Pipeline	)	RECONSIDERTION
	Corporation and Evaluation of Staff Report	)	
	related to South Carolina Pipeline	)	
	Corporation and South Carolina Electric &	)	
	Gas per Order under Docket No. 98-006-G.	)	

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Petition for Reconsideration of Order No. 1999-265 filed by the Consumer Advocate for the State of South Carolina (the Consumer Advocate). In addition, Returns to the Petition were filed by South Carolina Pipeline Corporation (Pipeline or SCPC) and South Carolina Electric & Gas Company (SCE&G).

The Consumer Advocate seeks reconsideration of Order No. 1999-265 in two respects: (1) the decision to discontinue further investigation of the prudence of SCE&G's gas purchasing from SCPC; and (2) the decision to defer consideration of a firm transportation tariff for SCPC.

The Consumer Advocate contends that this Commission abandoned an investigation that the Staff had found to be warranted when we removed these issues from SCPC's purchased gas adjustment (PGA) review. We believe that our action was proper, and that the Consumer Advocate's Petition must therefore be denied.

The Consumer Advocate's Petition relies upon the Commission Staff's report, which was prepared pursuant to Order No. 98-879 in SCE&G's most recent PGA review. In Order No. 98-879, we expressed our concern over the "seeming disparity" between SCE&G's projected gas cost and the average city gate price of gas in South Carolina. We instructed Staff to conduct an investigation as to the feasibility and economic reasonableness of SCE&G purchasing its gas supplies, or a portion thereof, from suppliers other than SCPC. The investigation was also to include the feasibility of SCPC having a firm transportation tariff. Prudence issues were held in abeyance.

The Staff performed the investigation required by Order No. 98-879 and submitted it to us for our consideration. The main thrust of this report was to point out problems that Staff had with the way SCPC's tariff allocates gas to costs to sale-for-resale customers, and to suggest proposals for dealing with these perceived problems. The report went on to state that the Staff could not quantify the total benefits or costs of SCE&G purchasing its own commodity gas, and that it was doubtful that SCE&G could purchase natural gas at a commodity rate lower than Pipeline. Staff concluded by saying that SCPC should continue to handle the procurement of gas for SCE&G, but that it should eliminate certain concerns related to the allocation of gas costs to sale-for-resale customers.

Upon review of that report, we issued Order No. 1999-164, in which we concluded that a full hearing on the points that were addressed in the report was warranted. We decided to combine this consideration with the hearing on SCPC's purchasing practices.

SCPC petitioned for reconsideration of Order No. 1999-164 to the extent it combined into SCPC's PGA review issues unrelated to that proceeding, specifically those related to the establishment of a firm transportation rate, rate of return, and related accounting adjustments. SCPC contended that these unrelated issues should be addressed in the context of a general rate case. We agreed with these statements, and issued Order No. 1999-265 granting reconsideration. This is the Order that the Consumer Advocate wants reconsidered.

Upon contemplation of this issue, we hold that our decision to defer any further consideration of SCE&G's gas purchasing policies and SCPC's filing of a firm transportation tariff was entirely appropriate. As noted in Commission Order No. 98-879, SCE&G's purchase of gas supplies from another source would require that SCPC file a firm transportation tariff. This in turn would profoundly change the nature of SCPC's business and would affect its entire rate structure. Accordingly, we believe we correctly decided to defer consideration of these issues until the next general rate case. Parenthetically, we would note that we cannot state with any certainty when such a case would be filed, only that we will consider these issues in that context.

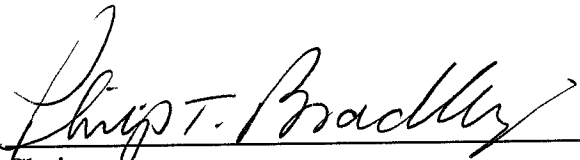
The question of allocation of gas costs as unfairly allocated to sale-for-resale customers and proposed Staff tariff changes may be properly addressed in SCPC's PGA review.

Further, we would note that we already rendered our decision regarding the prudence of SCE&G's gas purchasing practices in the last review period in Order No. 1999-164. No Petition for Reconsideration and/or Rehearing was filed by the Consumer


Advocate at that time. However, this Commission holds a review of the gas purchasing practices of both SCPC and SCE&G on a yearly basis. In August, the Consumer Advocate will have the opportunity to question SCPC's gas purchasing practices, and in October, he will be able to question SCE&G's gas purchasing practices. Therefore, the Consumer Advocate has additional open avenues to pursue any inquiries with regard to the purchasing practices of either company, and is not prejudiced in any way by our closing of Docket No.1999-110-G. We see no due process or equal protection violations. The Petition is denied.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Executive Director

(SEAL)